

STATEMENT BY THE PRESIDENT

Ensuring that all Americans have an opportunity to share in our Nation's economic prosperity has been at the core of my Administration's domestic agenda. We have made progress, but there is much more that we can do to extend the benefits of the vibrant American economy, including our innovative financial markets, to all Americans.

The Community Reinvestment Act (CRA) is central to that goal. Early in my Administration, I asked the Federal banking regulators to revise the regulations implementing the CRA to focus on the performance of banks and thrifts in serving the credit needs of their local communities. Since 1993, banks and thrifts have pledged to make over \$1 trillion in home mortgage, small business, and community development loans for low- and moderate-income neighborhoods and borrowers. This report documents that since 1993 banks and thrifts have already made well over \$600 billion of such types of loans. Today, credit is more widely available than ever before for Americans who wish to borrow to buy a house or start a business. Our success in democratizing access to credit under my Administration is an historic achievement, but we cannot rest.

The Financial Services Modernization Act of 1999 that I signed into law last fall allows the integration of the banking, insurance, and securities industries. In itself, this modernization should benefit consumers due to enhanced competition and innovative products and services. However, we also took a strong stand on protecting the CRA, and we insisted on retaining the CRA as a key pillar in the new banking system. We would not agree with those who attempted to weaken the CRA obligations of banks and thrifts in this process. Our determination resulted in the new requirement that a bank or thrift must have at least a satisfactory CRA rating each and every time it expands into these newly authorized lines of business. This is the first time the CRA will be taken into consideration outside traditional bank merger and branch opening activities.

We must remain watchful to ensure that, as we modernize our financial system, it works for all Americans. The Department of the Treasury's baseline report on the CRA will serve as a useful guidepost in assessing how far we have come and what remains to be done. The report will also provide a benchmark to measure changes in access to credit and financial services as the industry continues to evolve in the years ahead.

William D. Clinton



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

SECRETARY OF THE TREASURY

PREFACE

The Gramm-Leach-Bliley Act of 1999 called on Treasury to study the extent to which adequate services are being provided as intended by the Community Reinvestment Act (CRA) of 1977 as a result of the changes permitted by the Gramm-Leach-Bliley Act. Congress requested that Treasury submit a "baseline report" this spring, followed by a final report within two years of the law's enactment. This report fulfills the first part of this Congressional mandate.

In completing this report, we engaged the assistance of Robert E. Litan, Vice President and Director of the Economic Studies Program at The Brookings Institution. Mr. Litan assembled a team of experts including Nicolas Retsinas, Director of the Joint Center for Housing Studies, Harvard University, and Eric Belsky, Executive Director of the Joint Center for Housing Studies, Harvard University and Susan White Haag. Treasury Department staff guided the study, and several offices participated in its final composition.

This report provides a sound analytical framework to assess financial institution performance under CRA, and suggests important areas for further research. I am indebted to Mr. Litan and his team for their valuable contribution to this critical area of research.

CRA is a central element of the regulatory framework for financial institutions, and a core component of the legal framework under which the private sector is expanding access to capital. As this report explains, home mortgage lending has expanded dramatically to previously underserved communities. Small business and community development lending are at significant levels. Community development investments are helping to strengthen local communities across the country. And there is evidence that more Americans are gaining access to basic financial services. But much more needs to be done.

To fully realize the opportunities afforded by modernizing our financial system, we must remain focused on assuring that the financial service industry evolves in a way that continues to enhance its accessibility and utility for all Americans.

Sincerely,

Lawrence H. Summers



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

SECRETARY OF THE TREASURY

April 14, 2000

The Honorable Strom Thurmond
President Pro Tempore
United States Senate
Washington, D.C. 20515-6501

Dear Senator Thurmond:

Pursuant to section 715 of the Gramm-Leach-Bliley Act, I hereby transmit a report entitled "The Community Reinvestment Act After Financial Modernization: A Baseline Report."

Sincerely,

Lawrence H. Summers



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

SECRETARY OF THE TREASURY

April 14, 2000

The Honorable John Dennis Hastert
Speaker
U.S. House of Representatives
Washington, D.C. 20515-6501

Dear Mr. Speaker:

Pursuant to section 715 of the Gramm-Leach-Bliley Act, I hereby transmit a report entitled "The Community Reinvestment Act After Financial Modernization: A Baseline Report."

Sincerely,

Lawrence H. Summers



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

SECRETARY OF THE TREASURY

April 14, 2000

The Honorable Richard Gephardt
House Democratic Leader
United States House of Representatives
Washington, D.C. 20515-6501

Dear Mr. Gephardt:

Pursuant to section 715 of the Gramm–Leach–Bliley Act, I hereby transmit a report entitled “The Community Reinvestment Act After Financial Modernization: A Baseline Report.”

Sincerely,

Lawrence H. Summers



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

SECRETARY OF THE TREASURY

April 14, 2000

The Honorable Tom Daschle
Minority Leader
United States Senate
Washington, D.C. 20515-6501

Dear Mr. Daschle:

Pursuant to section 715 of the Gramm-Leach-Bliley Act, I hereby transmit a report entitled "The Community Reinvestment Act After Financial Modernization: A Baseline Report."

Sincerely,

A handwritten signature in cursive script that reads "Lawrence H. Summers".

Lawrence H. Summers